



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/035

UNHCR operations in Uganda

Overall results relating to the effective management of UNHCR operations in Uganda were initially assessed as partially satisfactory. Two recommendations have been implemented; implementation of two important recommendations remains in progress.

**FINAL OVERALL RATING:
PARTIALLY SATISFACTORY**

**27 March 2013
Assignment No. AR2012/112/02**

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AUDIT REPORT

UNHCR operations in Uganda

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations High Commissioner for Refugees (UNHCR) operations in Uganda.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNHCR Representation in Uganda was opened in 1965 and assists refugees, returnees and other persons of concern with international protection and humanitarian assistance. Uganda currently hosts 165,000 refugees and asylum seekers from Burundi, the Democratic Republic of Congo, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, Sudan and South Sudan. This includes 40,000 urban refugees living in Kampala with the rest spread out across eight settlements in the north and south-west of the country. The Representation worked with 25 Implementing Partners (IPs) in 2011 and 33 IPs in 2010.
4. The programme budget rose from \$54.5 million in 2010 to \$81 million in 2011. UNHCR phased out the internally displaced persons (IDPs) operation at the end of December 2011, which caused the 2012 budget to be reduced to \$66 million. As at February 2012, the operation had 158 authorized posts of which ten posts, equivalent to 6 per cent, were vacant.
5. Comments provided by the Representation are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes, in providing reasonable assurance regarding the **effective management of UNHCR operations in Uganda**.
7. This audit was included in 2012 risk-based annual work plan, in discussion with Bureau for Africa, due to risks presented by the increase in budget and complexity of operating environment.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** - controls that provide reasonable assurance that there are adequate arrangements to implement a formal refugee policy and manage Implementing Partners (IPs) in compliance with UNHCR policies and procedures.
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide procurement, inventory, finance and security management; are implemented consistently; and ensure reliability and integrity of financial and operational information.
9. The key controls were assessed for the control objectives shown in Table 1 below.

10. OIOS conducted this audit from May to June 2012. The audit covered the period from 1 January 2010 to 14 June 2012.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The Representation's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Uganda**. OIOS made four recommendations to address issues identified in the audit. For project management, the Representation had: (a) taken steps to conduct an urban verification and profiling exercise and a draft of the strategy was under review by the Urban Refugee Protection Network; and, (b) strengthened arrangements for selection of Implementing Partners and monitoring of project activities. For regulatory framework the Representation had: (a) identified alternative premises for relocation of the Branch Office extension and the measures needed to render it fully compliant with Minimum Operating Security Standards; (b) established a mechanism to review purchasing plans and ensure procurement is carried out in accordance with established procedures; (c) established a vendor vetting committee to oversee the registration and vetting of vendors; and, (d) put in place a mechanism for reviewing outstanding receivables ensuring receivables were assessed for recoverability.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of two important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in Uganda	(a) Project management	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Need a formal approach to implementing the Refugee Policy in recognition of the increasing size of the urban refugee population

14. UNHCR rolled out a new policy for urban refugees in 2009 and every country was expected to comply with it. In addition, UNHCR designated some countries, which had sizeable urban refugee populations, to be pilots with special reporting requirements aimed at assisting UNHCR at improving the policy. The Representation had believed that because it was not one of the pilot countries, it did not have to comply with the policy. The number of its urban refugees had risen steadily from 8,747 in 2007 to 44,062 by May 2012, and was expected to continue rising through 2013.

(1) The UNHCR Representation in Uganda should develop and implement a strategy for complying with UNHCR's policy on Urban Refugees.

UNHCR Representation in Uganda accepted recommendation 1 and stated that the urban verification and profiling exercise had been completed, and a draft of the strategy was being reviewed by the Urban Refugee Protection Network. Once the draft is endorsed a formal Urban Strategy was expected to be in place by 30 April 2013. Recommendation 1 remains open pending receipt of a copy of the formal approved urban refugee strategy.

Steps taken to improve management of IPs

15. An annual monitoring and reporting plan for 2010 to 2012 financial and performance monitoring visits had not been prepared as required by the UNHCR Manual. In January 2013, the Representation prepared the annual monitoring and reporting plan, which will assist the Representation to ensure IPs take responsibility for effective and timely implementation of UNHCR programme activities, as well as assist UNHCR to design capacity building activities for each IP. In view of the action taken, no recommendation is raised.

16. The IP selection/retention committee was not used in the selection of two new IPs and discontinuation of 16 others for the period 2010 and 2011. Furthermore, the IP checklist for retention of IPs was not used as required. These weaknesses in the management of IPs affected the design of capacity building activities. The Implementing Partner Selection and Ratification Committee (IPSRC) was established on 22 October 2012 together with use of the IP checklist. In view of the action taken, no recommendation is raised.

B. Regulatory framework

Action taken to strengthen controls over warehouse management

17. Inventory items for the Nakivale warehouse were not properly controlled and recorded in Managing for Systems, Resources and People (MSRP) as required by UNHCR warehouse procedures. The Representation took action, as of December 2012, to record these items in MSRP and put in place an internal control system for inventory management aimed at ensuring compliance with International Public Sector Accounting Standards (IPSAS). This included systematic use of signed goods received notes; goods issued notes, and regular submission of distribution reports by the IP. The inventory provided to the IP was monetized and added to the financial contribution made by UNHCR to the IP. A supply mission took place to ensure that the IP implemented the required control mechanism in line with IPSAS.

An Associate Supply Officer has been hired to oversee inventory management in terms of receiving, recording, issuance and reporting. In view of the actions taken, no recommendation is raised.

Action taken to establish a review mechanism to ensure procurement is carried out in accordance with established procedures

18. The purchasing plans for 2011 were not fully compliant with UNHCR rules. They excluded plans for administrative activities and replacement of assets, and did not include timelines for when goods and services were needed. The purchasing plan for 2012 was not submitted by the end of November 2011 as required and was still outstanding. The above weaknesses were due to a lack of a review mechanism to ensure compliance with established procedures. There was a risk of assets not being replaced in a timely manner, and goods/services for administrative activities not being procured.

19. In 17 procurement cases with a total value of \$519,406, approval of the Local Committee on Contracts (LCC) was not obtained as required. While no problems were noted as a result, such approval was needed as a safeguard to ensure that procurement had been done in accordance with rules. The Representation had not put in place a vendor registration process, a vendor committee, or a vendor vetting procedure. This was because a vendor committee had not been established.

(2) The UNHCR Representation in Uganda should establish a review mechanism including quarterly reviews for accuracy, completeness and timeliness of purchasing plans, and validation of plans by stakeholder sections, to ensure procurement is carried out in accordance with established procedures. The review mechanism should also include the establishment of a vendor committee to oversee the registration and vetting of vendors.

UNHCR Representation in Uganda accepted recommendation 2 and explained it had taken remedial action and instituted a review mechanism to review purchasing plans, and ensure procurement is carried out in accordance with established procedures with the involvement of all stakeholders. The first procurement plan for 2013 in relation to the Congolese refugee emergency was established on 16 January 2013. It also established a vendor vetting committee on 14 January 2013 to oversee the registration and vetting of vendors and updating the vendor information as per existing guidelines. Based on the actions taken by the Representation, recommendation 2 has been closed.

Action taken to ensure proper segregation of duties

20. The two instances of incompatible functions of Delegation of Authority Plan (DOAP) for 2011 and 2012 were noted in the MSRP system. Also, the role of Purchase Order (PO) Match Manager, reserved for very few senior managers at headquarters, was assigned to 11 staff in Kampala. The PO Match Manager role is assigned to selected staffs that are given system access to override match exceptions during 3-way matching. Payment is blocked whenever discrepancies between the accounts payable voucher, receipt and purchase order occur until the issues are resolved by the Requisition Approver or PO Approver, or until the match exceptions are overridden by the Match Manager. The Representation initiated action by correcting the DOAP effective 1 July 2012 to address all the identified weaknesses. The corrected DOAP was approved by the UNHCR Headquarters Finance Control Section in October 2012. In view of the actions taken, no recommendation is raised.

Action taken to clear long outstanding receivables

21. The Representation had outstanding receivables totaling \$423,699 as at 25 May 2012, of which Value Added Tax (VAT) comprised 82 per cent. The Representation attributed the large amount of VAT

outstanding to the lack of a permanent VAT focal point before 2012. Outstanding receivables if not cleared on a timely basis could become irrecoverable resulting in loss of funds to UNHCR.

- (3) The UNHCR Representation in Uganda should review all outstanding receivables on a monthly basis, ensure that adequate supporting documentation is maintained for all receivables, assess long outstanding items for recoverability, and take appropriate follow up actions.**

UNHCR Representation in Uganda accepted recommendation 3 and explained that it had taken remedial action and put in place a mechanism for reviewing all the outstanding receivables and maintaining on file all supporting documents for receivables with receivables assessed for recoverability and appropriate action taken. Of the \$423,699 reported \$218,708 had already been cleared and of the \$204,990.90 balance \$181,574.34 (nearly 90 per cent) represented Value Added Tax (VAT). The Representation stated that the processing of VAT refund claims was on-going and there was focal person from UNHCR who was doing follow-ups on a monthly basis. Based on the actions taken by the Representation, recommendation 3 has been closed.

Action has been initiated to ensure that UNHCR Uganda offices are Minimum Operating Security Standards (MOSS) compliant


22. Bi-annual reports on MOSS compliance had not been carried out as required by UNHCR rules. There was only evidence of MOSS compliance reports prepared in January and September 2012. These MOSS reports indicated that the branch office extension was not MOSS compliant. In November 2012, the Representation reported the location was impossible to render MOSS compliant and set a target relocation date for 31 March 2013. It similarly set a target date of 12 April 2013 for the completion of the implementation of key recommendations for achieving full MOSS compliance.

- (4) The UNHCR Representation in Uganda should implement identified measures for the Branch Office extension, to achieve full Minimum Security Operating Standards (MOSS) compliance.**

UNHCR Representation in Uganda accepted recommendation 4 and explained that carried out MOSS assessments in July 2012 and January 2013 to comply with bi-annual MOSS reporting. In February 2013, an assessment was made on the feasibility of occupying the entire compound currently used temporarily by one IP as they await completion of the renovation to their office building. It was assessed that should UNHCR take over the entire compound, it would be feasible to achieve MOSS compliance and the necessary improvements to achieve this have already been identified. The Representation stated it would implement measures for full MOSS compliance within three months of the IP moving out of the compound, which was expected to be achieved by 31 August 2013. Recommendation 4 remains open, pending receipt of evidence that the measures identified for achieving full MOSS compliance for the Branch Office extension have been implemented.

IV. ACKNOWLEDGEMENT

23. OIOS wishes to express its appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.


David Kanja, Assistant Secretary-General
Internal Oversight Services, OIOS

STATUS OF AUDIT RECOMMENDATIONS

UNHCR operations in Uganda

Recom. no.	Recommendation	Critical ¹ / Important ²	C/O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Uganda should develop and implement a strategy for complying with UNHCR's policy on Urban Refugees.	Important	O	Receipt of a copy of the formal approved urban refugee strategy.	30 April 2013
2	The UNHCR Representation in Uganda should establish a review mechanism including quarterly reviews for accuracy, completeness and timeliness of purchasing plans and validation of plans by stakeholder sections, to ensure procurement is carried out in accordance with established procedures. The review mechanism should also include the establishment of a vendor committee to oversee the registration and vetting of vendors.	Important	C	Action completed.	Implemented
3	The UNHCR Representation in Uganda should review all outstanding receivables on a monthly basis, ensure that adequate supporting documentation is maintained for all receivables, assess long outstanding items for recoverability, and take appropriate follow up actions.	Important	C	Action completed.	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

Recom. no.	Recommendation	Critical¹/ Important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
4	The UNHCR Representation in Uganda should implement identified measures for the Branch Office extension to achieve full Minimum Security Operating Standards (MOSS) compliance.	Important	O	Receipt of evidence that the measures identified for achieving full MOSS compliance for the Branch Office extension have been implemented.	31 August 2013